Managing Employee Engagement During Times of Change

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Today's global economy has clearly had a big impact on the way organizations operate. Although successful organizations are often marked by a modest, continuous level of change, the past few years have been marked by significant business and talent survival tactics in response to challenging economic conditions. Some organizations have sought to transform their strategies ahead of, or in response to, changing economic conditions by restructuring or taking on a merger and/or acquisition (M&A). Regardless of how the change occurs, the associated loss of status, certainty, control and familiarity that comes with this change may be met with resistance from employees.[1] M&A situations in particular can cause many employees to feel confused or unsure about how they will fit in the combined organization.[2] Uncertainty and role conflict may lead to increased turnover, new or additional job expectations, and delays in accomplishing goals while new decision processes and budgets are developed. Overall, during times of change it can be difficult for employees to simply keep their heads above water and stay productive.

Because a large number of organizational change efforts fail to meet their stated objectives, a focus on how employees think, feel and behave during these transformational periods offers useful insights to employers.[3] Maintaining employee engagement in the midst of organizational change is a key element in the success of a change initiative. In this paper, we specifically address questions about how these transformational periods are related to employee engagement, including:

- What is employee engagement, and why is it important?
- What happens to employee engagement during different types of change?
- What influences engagement during change?
- What can organizations do to understand and manage employee engagement during times of change?

What Is Employee Engagement, and Why Is It Important?

Employee engagement can be understood as both an emotional state and a behavioral reaction to a given work environment. As an emotional state, engagement represents ideas such as focus, motivation and passion for the task at hand. As a behavioral reaction, engagement goes beyond feelings and attitudes. An engaged employee can provide significantly more discretionary effort—"doing whatever it takes" to complete work tasks—ultimately having a positive impact on business results. In short, engaged employees **say** good things about working at an organization, they plan to **stay** at that organization and they **strive** to give extra effort.

[1] Fried, Y., Tiegs, R.B., Naughton, T.J., and Ashforth, B.E. (1996). Managers' reactions to a corporate acquisition: A test of an integrative model. *Journal of Organizational Behavior, 7*, 401-427.

[2] Seo, M.G. and Hill, N.S. (2005). Understanding the human side of merger and acquisition: An integrative framework. *The Journal of Applied Behavioral Science, 41*, 422-443.

[3] Ngyuen, H. and Kleiner, B.H. (2003). The effective management of mergers. *Leadership and Organizational Development Journal, 24*, 447-454.

Engagement is not a binary outcome—rather, engagement levels comprise a spectrum of behavior. The following table represents four broad profiles into which employees may be classified.

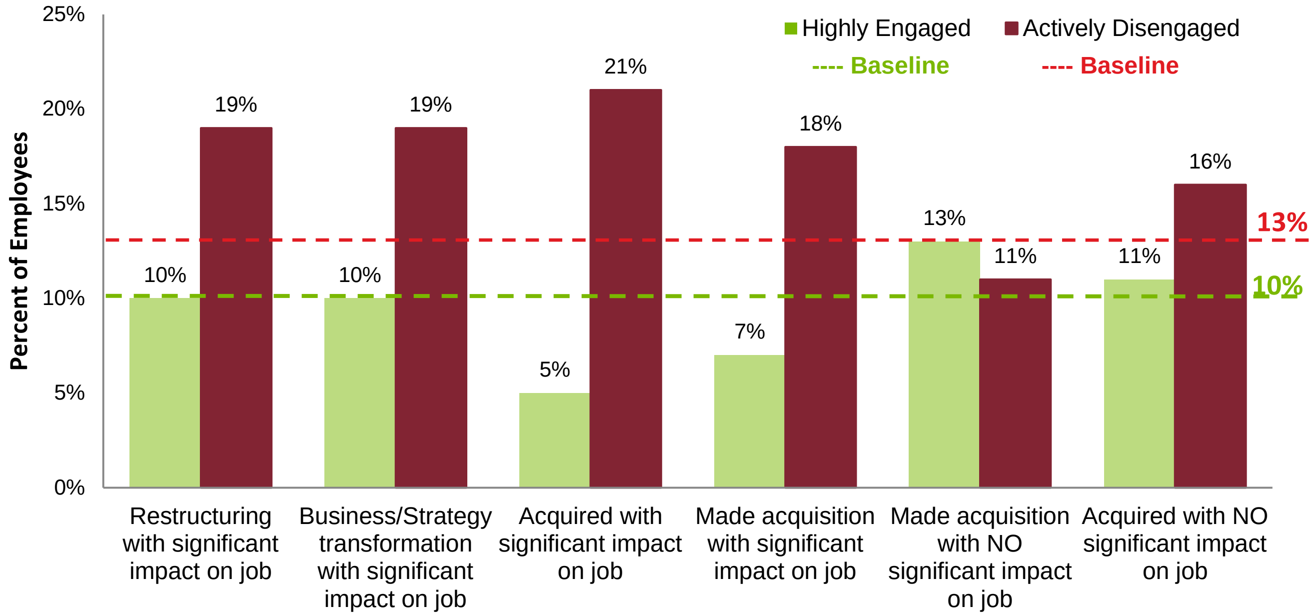
Engagement Category	Description
Highly Engaged	Employees feel a strong personal alignment to the mission, vision and objectives of the organization. With this emotional connection comes behavior—namely, active pursuit of opportunities to improve operations and/or the general work environment.
Moderately Engaged	Employees possess positive attitudes toward work and may engage in productive behaviors, but they are not fully invested in terms of commitment and significant discretionary behavior.
Passive	Employees simply come to work and go through the motions without any particular interest in work. While not as problematic as the actively disengaged, passive employees do not create a positive environment for innovation and progress.
Actively Disengaged	Employees feel disconnected from their jobs and tend to be unsatisfied at work. Their poor attitudes and emotions spread through the company, which can result in their own poor performance and poor performance of others.

What Happens to Employee Engagement During Different Types of Change?

The last few years have been marked by significant organizational changes in response to increasingly complex and interrelated economic, regulatory, business and demographic trends. To examine the questions posed in this paper, we analyzed a large sample of U.S. employee survey data collected by Aon Hewitt during the 2009–2010 period in the depth of the economic crisis.[4] An analysis of these data reveals, as one might expect, that engagement is influenced by organizational change, including M&A, strategy transformation and restructuring. Specifically, the chart on the following page highlights a great deal of what happens during times of change to employees at the two ends of the engagement spectrum (i.e., the highly engaged and the actively disengaged). The proportion of highly engaged employees does not change from the baseline due either to strategy transformation or restructuring. This may indicate that the most engaged employees remain resilient during these types of change. However, the percentage of actively disengaged employees increases substantially during these times.

4 Aon Hewitt Engagement 2.0 Study 2010.

Impact of Different Types of Corporate Change on Employee Engagement



The most revealing data, however, can be found during M&A activity. Within the group of employees going through M&A with significant impact on their job, the proportion of actively disengaged employees increases similarly to the other transformation categories, but the percentage of highly engaged employees is cut in half during an M&A event. By contrast, more employees appear to become highly engaged when their company makes an acquisition that has no impact on their job—perhaps they see opportunity to expand their sphere of influence or see positive possibilities for the future without any personal threat. The data also suggest that acquiring another organization is easier on employees than being acquired. Thus, it appears it's not just the M&A activity that influences engagement, but rather the extent to which the M&A impacts an individual's job and whether one works for the acquiring organization or for the acquired.

The next question to consider is whether these M&A engagement effects linger. Can we expect the percentage of highly engaged employees in an M&A situation to remain stable over time as the organizations combine?

The answer is no—or, at least, not consistently. Individual reactions to organizational changes fluctuate at various stages of the acquisition process. Immediately after any merger or acquisition, more employees are engaged by the prospect of a new direction. However, the reality of the changes that come with integration and restructuring may cause employees to begin to disengage. We see that the percentage of highly engaged employees tends to dip well below the 10% global baseline after a merger or acquisition. In fact, the percentage of highly engaged employees dips to 5% a few months after a merger or acquisition, and does not recover to the baseline for another two to three years. This drop can be quite problematic for employers seeking to increase buy-in to a new integrated business model and demonstrate the value of the merger or acquisition to stakeholders. Another way to examine the data is to think of a balance between job demands and job control. Increased job demands and decreased control soon after the merger or acquisition may increase employee stress and fatigue.[5] After employees become accustomed to the demands and controls of the job, their engagement levels recover over time.

The graph above follows and validates the “change curve” often cited by change management professionals. This finding suggests that it can take a long time for employees to recover to baseline levels after M&A events. Many organizational leaders want to know what can be done to decrease the depth of the engagement dip and/or to accelerate the time to recovery.

Regardless of the type of change, the degree to which employees can identify with their organization, see a clear future or strive toward organizational objectives seems to be most significantly at risk during change events. We know that it can take months or years for employees' engagement to recover. We also know that employee engagement, and particularly the percentage of highly engaged employees, is positively correlated to higher performance and business value creation. These findings suggest that employee engagement is both an opportunity and a risk to be managed during times of transition.

[5] Van Yperen, N.W. and Hagedoorn, M. (2003). Do high job demands increase intrinsic motivation or fatigue or both? The role of job control and social support. *Academy of Management Journal, 46*, 339-348.

What Influences Engagement During Change?

Transformational changes such as M&A, strategy transformation and restructuring affect engagement, but many organizations struggle with effective strategies and actions to help improve engagement during change.

To help inform potential interventions, we examined data from employees who had any type of change that impacted their jobs (i.e., M&A, strategy transformation or restructuring). We then identified the top drivers of engagement across employees who experienced change versus employees who did not using a statistical procedure called relative weights analysis. The drivers of employee engagement do, in fact, have different priorities depending on the presence of change. The highlighted items in the table below are those that are different depending on whether or not there is a significant amount of change occurring in the organization.

Employee Engagement Drivers During Times of Change vs. Times of No Change

Rank Order	Top 5 Drivers of Engagement During Times of Change vs. No Change	
	Change	No Change
1	Involved in decision making	Understand career path
2	Understand career path	Involved in decision making
3	Co-workers make personal sacrifices to help the organization	Have the necessary resources to do job
4	Company provides encouragement for development	Company provides encouragement for development
5	Company provides a two-way dialogue	Provided proper training to do job

The table and the data that follow indicate that three issues—1) *control* (involvement and empowerment), 2) *career* (understanding of one's path) and 3) *capability* (training and development)—are important regardless of the amount of change taking place in the organization. However, during times of change it appears that control supersedes one's need for a career path. In addition to these three important ingredients of engagement, employees undergoing change appear to have significantly more need for a fourth ingredient, *connection:*

- Connection with leaders—Employees want more two-way dialogue with organizational leaders.
- Connection with co-workers—Employees need to see their co-workers pulling together, providing reliable support and making personal sacrifices during these stressful times.

We also set out to examine if engagement drivers differed in terms of the type of change occurring. In other words, should organizations be focused on a different set of issues to drive employee engagement depending on what type of change the organization is going through? To answer that, we identified top engagement drivers during three different types of organizational change—merger/acquisition activity, restructuring and strategy transformation. The results are outlined in the table that follows. The highlighted areas are those that are unique drivers of engagement based on that type of change.

Rank Order	Top 5 Drivers of Engagement for Different Types of Organizational Change		
	Mergers/Acquisitions	Restructuring	Strategy Transformation
1	Involved in decision making	Involved in decision making	Involved in decision making
2	Co-workers make personal sacrifices to help the organization	Understand career path	Understand career path
3	Senior leadership is visible	Co-workers make personal sacrifices to help the organization	Company provides a two-way dialogue
4	Provided proper training to do job	Company provides encouragement for development	Provided proper training to do job
5	Understand career path	People in work group are reliable	Have the resources necessary to do job

Indeed, leaders need to tailor organizational efforts to the specific type of change employees face. Across the different types of change we continue to see the need for control, career, capability and connection—but in slightly nuanced ways. Aside from involving employees in decisions and providing guidance on career paths, which are important in all three types of change situations, the mechanisms for driving engagement vary depending on the type of change occurring during each of the following scenarios:

- **Mergers and acquisitions**—Unlike the other types of change, understanding a career path takes a back seat to having *visible senior leadership* during M&A. As we saw earlier, employees are hardest hit by M&A and may take a long time to recover. Employees want to see and hear from their senior leaders to help understand where the new organization is going, and how this change influences their job and the organization as a whole. It also appears as if employees value skill development during M&A—these skills and behaviors may be vital for the newly integrated business model.
- **Restructuring**—Restructuring efforts usually result in elimination of jobs; these events affect employees in a very personal and tangible way. Remaining employees may also fear for their jobs, while at the same time they may be required to take on the work of eliminated positions. Employees in these situations can be engaged by their co-workers *making personal sacrifices for the sake of the organization* and ensuring that employees can *depend on others within a work group.* The organization and its leaders should also reinforce that they are *committed to the ongoing development of their employees*, even in the midst of the restructuring effort when roles are often combined and resources reduced. Restructuring can actually signal career opportunities for the employees who remain—this is a message that is difficult to deliver in a sensitive way, but something that is on the minds of employees.
- **Strategy transformation**—These situations usually mean letting go of old behaviors and adopting new ones to compete in new markets and drive business value in a different way. Organizational leaders can drive engagement during this type of transformation by *keeping an open, two-way dialogue.* Employees want to feel as if they work in an environment that, despite the organization's modification of its core strategy, still values their input and enables good decision making. This is further accomplished by ensuring that employees *receive necessary training* and *have the resources needed* to do their (new) jobs.

What Can Organizations Do to Understand and Manage Employee Engagement During Times of Change?

In the preceding sections, we outlined the importance of defining and measuring engagement, and the impact organizational change can have on engagement levels. Moreover, we discussed different engagement drivers and their relative impact on engagement depending on the type of change the organization is experiencing. Below are five tangible steps organizations can use to assess, understand and take action on the engagement levels of employees as the organization undergoes strategy transformation:

- **Define** the type of change your organization is experiencing and what is required from employees. Defining the behaviors that employees need to stop, start and continue to engage in becomes critical as significant changes occur. Note that different types of change pose different types of requirements and threats to an individual's engagement:
  - For *restructuring*, employees may need simply to continue to do the same things, but more than likely, employers need employees that *stay* and even take on additional tasks beyond their historical responsibilities.
  - For *strategy transformation,* many employees will need to understand a new business direction and model and learn new skills and processes.
  - For *M&A*, in addition to the requirements of a strategy transformation, employees will need to understand the new work groups, cultures and business processes of the combined organization.
- **Measure** engagement and other work experiences throughout the change. It is paramount, in the current economy and when contemplating or undergoing strategic change, for your organization to understand the engagement levels of your employees. Many organizations delay assessing engagement levels during times of change, but this is actually the *perfect* time to get a baseline measurement—not only of how engaged your employees are, but to develop strategies to manage engagement risk . Each organization is different, and the nuances of what drives engagement at your organization should not be overlooked.
- **Tailor** interventions that meet employees' engagement needs during change**.** Our analyses identified four key themes that are important for employees undergoing change:
  - *Connection*—Employees want to have a personal connection to leaders and co-workers. This need is heightened during times of change when status, certainty and autonomy are all threatened. Leaders need to be visible and engage in two-way dialogue to listen to and validate employee concerns as well as convey rational, factual information about *what* is changing. Finding ways to build team cohesion and a sense of "pulling together" is also important for an individual to stay engaged through transformational events.
  - *Control*—Employees almost always have some loss of control with change events. The risk is that employees feel change is happening *to them* rather than feeling they are involved and part of the process. Pulling employees into focus groups, challenge teams and operational work streams where they can provide ideas, react to different scenarios before they happen, and have a say in the outcomes are all strategies to pull people through the change rather than simply being recipients of change.
  - *Career*—The need for a clear career path showed up consistently in our analyses. Employees undergoing change probably and understandably think to themselves, "This is not the organization or job I used to have; what is my future?" Failing to help answer this question for

employees presents significant risk for organizations in normal times, but probably more so in times of change. In particular, an organization may be at risk of losing key talent for the future if these individuals are unclear of their future career path with the organization. Leaders, despite potentially asking themselves the same questions about their own roles, must provide some clarity about career opportunities for this future-critical talent.

  - *Capability*—Employees' need for skill building and development is a constant, but takes on increased importance in times of change. Quite simply, if the change results in the same employees doing new things with old skills, an organization is at risk. Having a clear sense of skill gaps created by change events is the starting place for implementing an efficient development plan focused on what is required to deliver value in the new organization.

- **Go!** Based on your findings, develop an action plan for each organizational unit with clear accountabilities. It should spell out, in very concrete and behavioral terms, the actions to be taken, who is to take them, who is overseeing the efforts, when the action will take place, what resources are needed, what risks exist, what (if any) time restrictions are imposed and how success will be measured. Remember to take into account those nuances that are the key drivers to improving engagement given the unique type of change at your organization. Then review and communicate the action plan to the entire group affected, and immediately take action on it. The action can be small at first but it is extremely important, especially in times of change, that employees see action being taken.

- **Reinforce.** Once your organization implements action plans, it's critical to ensure they don't lose steam. Our research on global engagement trends shows that a dip in engagement of your most engaged employees can last for two years or more after an M&A event. Ideally, engagement will become part of your ongoing culture through regular discussion—as a standard agenda item for staff meetings or town hall discussions—of progress against your engagement initiatives. We suggest also building in an "*action audit*" to your timeline to formally examine progress against all action plans after their implementation has begun (e.g., 6 to 10 weeks). This will ensure continued progress against your goals and further success in the long term.

With change all around us, organizations that recognize the significant positive impact engagement can have, and the ways to measure and manage it, will come out ahead. We know different types of organizational change have significant impacts on engagement. The approach for driving engagement will look different depending on the organization and/or situation. But taking the first step in a change strategy—measuring engagement and what drives it for your organization—is an important element in enabling your organization to effectively manage the opportunities and risks associated with most types of change and transformation.

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About the Research

The employee survey data in this report come from a random sample of U.S. employees collected in 2009–2010. Aon Hewitt's Engagement and Best Employer database consists of the core questions in our Engagement Index, as well as statements relating to each of the drivers of engagement. Our database also contains norms for other topics, such as the organization's mission, vision, values, culture, goals and communication. The database includes opinions representing 17 million employees from thousands of organizations across more than 150 countries and dozens of industries. Database norms are updated twice each year and are developed from clients that have conducted custom engagement surveys and participated in "best employer" studies.

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